



City of Santa Barbara
Airport Department

DATE: February 16, 2011

TO: Airport Commission

FROM: Karen Ramsdell, Airport Director

SUBJECT: Concession Agreement Amendment with First Class Concessions, Inc.

RECOMMENDATION:

That Airport Commission recommend approval for the Airport Director to execute, subject to approval as to form by the City Attorney, an amendment to Concession Agreement No. 23,445 with First Class Concessions, Inc., a California Corporation, amending Article 3, "Obligation to construct and operate Leasehold Improvements" providing for reimbursement to First Class Concession, Inc. for permanent affixed Leasehold Improvements for a not to exceed amount of \$450,000.

DISCUSSION:

Background

When completed, the new Airline Terminal building will provide an expansion of concession services. There are two food and beverage locations, 1,900 square feet post-security on the second floor, and 1,000 square feet pre-security on the ground floor. Consistent with the Spanish Colonial Revival architecture of the facility, the concessions will be developed to resemble typical Santa Barbara storefronts, thereby creating a "sense of place" for travelers.

Airline Terminal operating requirements differ substantially from "street retail" in that operating hours are tied to the flight schedule with expected hours of 5 a.m. to 11 p.m. daily. All units will be required to be operated every day, including holidays, and may be required to be open during times that may not be profitable. Passenger traffic varies by season, month, and day of the week. Additionally, security requirements are stricter requiring a 10 year background check and finger printing for employees. The majority of concession space is post-security which is beneficial for sales, but also limits the customer base to ticketed passengers.

Request for Proposals and Concessions Design Manual

On February 9, 2010, the Request for Proposal for a Food & Beverage Concession was distributed to interested parties. The information was also posted on the Airport's website and sent to those companies that specialize in Airport concessions. A mandatory pre-proposal meeting was held and written questions were submitted by the companies attending and two separate addenda were distributed.

As part of the Request for Proposal (RFP) development, the Airline Terminal design architects prepared a Concessions Design Manual. The Manual was prepared to guide Concessionaires in the design and construction of facilities at Santa Barbara Airport Airline Terminal. The Manual outlines procedures, policies, goals and requirements for developing or modifying facilities.

Food and Beverage Proposal and Proposed Concession Agreement

Only one proposal was received for the Food & Beverage Concession that met the minimum requirements. Based on recent articles in airline industry trade magazines, this is not unusual for small airports.

The food and beverage proposal was received from First Class Concessions, Inc. (First Class). Two franchised Coffee Bean & Tea Leaf locations, one pre-security and one post-security sharing the space with a Costa Terraza tapas bar was proposed. First Class has successfully teamed with The Coffee Bean & Tea Leaf and operates facilities in other airports.

The concept design for the franchised Coffee Bean & Tea Leaf locations and the Costa Terraza restaurant and bar was reviewed by the Terminal Project Architect and found to substantially meet the criteria established in the Concessions Design Manual. First Class proposed to invest \$164 per square foot or \$164,000 for the build out of the pre-security Coffee Bean & Tea Leaf Location and \$216 per square foot or \$410,400 for the post-security Coffee Bean & Tea Leaf and Costa Terraza location.

On June 15, 2010, Council approved a ten-year Concession Agreement with First Class Concessions, Inc. based on the proposal submitted as a result of the solicitation process.

Final Design and Permitting

The Airport is in the process of entering into agreements with the tenants of the new Airline Terminal for construction of tenant improvements within the leased premises of the building. The food and beverage and news and gift agreements were negotiated first, based upon the length of time anticipated to obtain final design approval and building permits for the build out of the leased premises.

Other Airline Terminal tenants include the Transportation Security Administration, airlines, rental car companies and any additional retail concessionaires. The Airport is

providing, as part of the building construction, the basic shell for each of these tenants, including those leasehold improvements and equipment which cannot be removed without material damage to the premises, including, but not limited to lighting, power, plumbing, HVAC distribution, interior finishes, and fixtures.

The tenants are responsible for back wall graphic and logo images, any individual branding or signage, connections to building communications systems, personal property, decorating expenses, trade fixtures and consumables.

Restaurant Build-out

Because of the more complex nature of the design of the restaurant spaces (Santa Barbara County Health Department requirements), the Airport did not include the "shell build-out for the restaurant space. First Class Concessions, Inc. provided the complete design for the spaces (pre and post-security) and the construction of the basic shell, including plumbing, wiring, exhaust systems, HVAC, flooring, and interior walls, in order to allow the rough plumbing, placement of outlets, lighting etc. to be positioned in the exact locations shown on the approved drawings. This will eliminate cutting into or moving walls stubbed in by the building contractor to reroute utilities, and will be more cost efficient.

First Class Concessions, Inc., initiated a competitive bidding process and received bids ranging from \$871,463 to \$632,000 from six contractors, including Emma Corporation, the terminal contractor. They selected Young Construction, the low bidder. First Class Concessions, Inc. and the Airport have determined that the cost to construct the restaurant shell for both locations, comparable to those improvements that have been installed for other Terminal tenants, will be \$450,000.

Since the build out of the shell of the restaurant spaces was initially planned to be constructed by the terminal contractor, the current concession agreement does not contain a clause allowing reimbursement for those capital improvements that will remain with the site. The proposed amendment will allow the Airport to reimburse First Class Concessions, Inc. for approved expenditures up to a not to exceed amount of \$450,000.

BUDGET/FINANCIAL INFORMATION:

Funds for the reimbursable expense are available in the Airline Terminal Project budget.